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EXECUTIVE SUMMARY OF

13 STATE RECIPROCAL COMPENSATION AMENDMENT
(AND RELATED CONTRACT DOCUMENTS SHOWING INTENT
TO COVER ALL WORLDCOM, INC. CLECS IN THE 13 SBC STATES)

The attached series of contract documents represents the culmination of several months of negotiation with Worldcom, Inc. (WCOM) for a 13 State Reciprocal Compensation deal. The reduced reciprocal compensation rates under this contract is similar to that reached with Level 3, ICG, and other major carriers, and resolves the controversial subjects of ISP traffic, "Virtual" Foreign Exchange traffic, and Single POIs in a LATA, among others. The following bullet points describe the salient points of this transaction:

- ? 13-state SBC model "recip comp" agreement, similar to ICG and Level 3 agreements – but with many refinements that are no better or worse for SBC, often just operational details in how network terms are carried out.
- ? Utilizes the same pricing schedule as with ICG and Level 3, except that the deal was extended for another year at a lower, flat per minute rate of \$.0005 (when the corresponding rate under the FCC ISP Order would be \$.0007).
- ? The lower WCOM rates are effective retroactively to 2-1-01 and continue in a binding, "locked in" schedule through 5-31-04. Both parties waive Intervening Law rights and thus cannot change these rates regardless judicial and/or regulatory activity on the ISP and Foreign Exchange front for the next three years.
- ? The In and Out of Balance Traffic Ratio remains at 3:1 through May 31, 2003, but thereafter, no traffic balance is considered in applying rates
- ? Resolves Tandem Serving disputes by requiring all WCOM – SBC interconnection trunking to be 70% Direct End Office Trunks, in exchange for which traffic below the 3:1 threshold is compensated at blended rate consisting of 70% of the End Office rate and 30% of the tandem served rate applicable in each state.

- ? Resolves Single Point of Interconnection (POI) in a LATA disputes by requiring that WCOM establish a POI in every local calling area and/or at every SBC tandem, and if not compliant, SBC may withhold reciprocal compensation in the affected area.
- ? WCOM is expected to establish approximately 25 more POIs under this contract than would have been required under state and federal rulings. If obtaining interconnection facilities from SBC, WCOM is required to purchase those facilities at Special Access rates, further creating revenue generating opportunities for SBC.

Caveats and Reminders:

- ? This agreement does not bind UUNET or any ISP behind the WCOM network. Some concern voiced that WC could push their terminating traffic to UUNET and then on to another CLEC where they might receive higher reciprocal compensation payments – assuming that CLEC had an agreement that carried higher rates.
- ? The Parties "agree to disagree" about the appropriate interconnection and rating of Voice Over Internet Protocol (VOIP) and other Internet telephony issues. This will likely be a subject of industry focus in the recently established FCC Notice of Proposed Rulemaking (NPRM) on Intercarrier Compensation, FCC Order No. 01-132 (April 27, 2001).
- ? SBC is locked into this arrangement, even if the FCC's NPRM results in a "Bill N Keep" Order prior to May 31, 2004. Most analysts both in and outside of SBC do not believe that such an order is likely before that time, and that the \$.0005 rate WCOM locks into for 2003-04 is lower than the FCC rates under its ISP Intercarrier Order.

The originals of the Contract Amendments will be prepared, executed and filed just like all other SBC contract documents through the SBC Industry Markets Contract Management team in Dallas.

Steve Collins, Executive Director of Carrier Compensation (214-464-1258) represented the SBC Industry Markets Finance Department.

Jeff Ulm, Vice President WCOM Account (312-335-6663), and Marilyn Williams, Director – WCOM Local Interconnection (214-464-1750), represented the SBC Account Team for Worldcom.

Philip Bowie, Director (214-858-0221) and Scott McPhee, Area Manager (214-858-0184), represented the SBC Industry Markets Policy and Product Management Team.

Tracy Turner (214-464-7551) was the SBC Negotiating Attorney.

PLEASE RETURN TO JANET HADAWAY AFTER SIGNATURE FOR FURTHER PROCESSING.